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ABSTRACT

This comparative study examines the functioning of Indiana school districts that are placed under control of the state school property tax review board for the purpose of emergency relief. The study sought to determine the fiscal status on selected criteria of seven such "controlled school corporations" (CSCs) for the 1985 budget year by comparing the CSCs with seven fiscally-matching non-controlled school corporations (non-CSCs). Unlike non-CSCs, which have balanced budgets, school corporations with controlled status may shift moneys from other funds into the general fund. The CSCs and the non-CSCs were matched on the basis of average daily membership and assessed valuation per student. Data regarding students, teachers, and assessed valuation were compared. The findings indicate that, for school corporations with an average daily membership of less than 5,000, CSCs compare favorably with the matched group in ability to sustain educational offerings. Among CSCs, teacher employment increased and student enrollment decreased. Compared with the non-CSCs, the CSC average student-teacher ratio was lower and teachers received larger salary increases. Taxpayers fared better in the CSCs in terms of assessed valuation per student and a lower total school tax rate. Controlled status has permitted several school corporations to maintain, if not increase, educational standards as measured by fiscal expenditures. Four tables of comparative data are provided (CJH)

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AN EXAMINATION OF CONTROLLED SCHOOL CORPORATIONS

by

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For a variety of reasons many school districts throughout the United States face financial distress every year. Generally, school districts are not permitted to engage in deficit financing.[1] Indiana is no exception as school corporations must balance their budgets.[2] School corporations which are unable to balance their budgets may seek emergency financial relief, thus, placing themselves under the "control" of the School Property Tax Control Board.[3]

The purpose of this article is to examine school corporations that are controlled for the 1985 budget year and to determine their fiscal status on selected criteria by comparing the controlled school corporations (CSCs) to the

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closest fiscally matching non-controlled school corporations (non-CSCs). Because the controlled status allows school corporations to shift moneys from other funds into the general fund it is appropriate to compare selected information for the two groups. This article does not attempt to determine the reasons leading to controlled status.

For the 1985 fiscal year, the ten CSCs ranged in size from 20,770 to 1,822 in average daily membership (ADM). There were three school corporations with an ADM larger than 10,000 with the remaining seven with an ADM of less than 5,000. Due to only three large controlled school corporations and in order to make valid comparisons, the authors examined only the school corporations with less than 5,000 ADM.

The authors matched the CSCs with fiscally closest non-CSCs on the basis of ADM and assessed valuation (AV) per student. Specific data regarding students, teachers, and AV were compared between the CSCs and the non-CSCs. In this manner, the seven CSCs were matched with the fiscally closest seven non-CSCs.

Each table reflects the CSCs as they are shown A - G. The non-CSCs are shown AA - GG. Table 1 reflects comparisons for selected teacher and student data.

(INSERT TABLE 1)

For the CSCs, Table 1 reveals the mean ADM decreased 1 percent although there was a 3 percent increase in the number of teachers. The non-CSCs ADMs were outmatched by teacher increases in all but one CSC. The average student-teacher ratio in the CSCs was lower than four of the seven non-CSC at the K-6 and 7-12 levels.

Comparisons regarding personnel are displayed in Table 2.

(INSERT TABLE 2)

The average salary per teacher ($20,308) in the CSCs was higher than six of the seven non-CSCs. The average teacher salary increase per year for the years 1980-84 (8.2 percent) for the CSC was lower than five of the seven non-CSCs, but the 1985 (8.9 percent) was higher than all

TABLE I

COMPARATIVE TEACHER CHANGES

Dist.	ADM	% ADM Increase	% Staff Increase	Pupils per Teacher K-6/7-12
A	2407	+1.71	+2.77	19.7/19.1
B	2952	-1.76	+5.48	19.8/20.6
C	1923	-2.63	+4.18	20.6/19.7
D	2056	+3.86	+3.74	25.4/20.5
E	4914	-1.89	-0.54	20.1/19.9
F	1826	-2.98	NA	19.5/18.4
G	1822	-3.88	+3.13	22.7/18.7
Mean	2557	-1.08	+3.13	21.1/19.6
AA	2972	-1.46	+1.60	20.1/19.9
BB	2439	-1.05	0.00	22.5/17.7
CC	5561	+1.27	+6.61	22.7/21.2
DD	2891	-1.00	-1.95	18.5/17.5
EE	3626	+0.90	+2.09	21.9/19.6
FF	2563	+1.30	+5.01	22.4/21.3
GG	2569	-3.02	+4.02	17.9/21.4

TABLE 2

COMPARATIVE PERSONNEL SALARIES

Dist.	Average salary per teacher	Average yearly % increase 1980-84	1985	Supt. salary	'85 % increase
A	22,594	8.8	NA	49,950	4.4
B	20,185	7.7	NA	49,994	5.8
C	17,352	7.8	8.1	43,500	6.1
D	19,262	9.0	9.8	44,000	12.4
E	21,610	7.5	9.1	62,600	5.9
F	19,486	8.2	9.2	NA	NA
G	21,665	8.3	8.3	47,840	-6.5
Mean	20,308	8.2	8.9	49,647	4.7
AA	18,869	7.5	NA	49,820	6.0
BB	18,589	9.3	6.0	43,500	3.6
CC	20,285	8.6	7.8	54,000	20.0
DD	20,084	8.6	7.8	47,000	10.5
EE	18,903	7.7	8.5	47,700	6.0
FF	19,084	9.0	7.7	45,609	5.0
GG	20,379	8.3	8.3	44,300	5.0

seven. The average superintendent's salary ($49,647) of the CSCs was higher than five of the seven non-CSCs.

Table 3 reflects an examination of expenditures on a per pupil basis.

(INSERT TABLE 3)

The average appropriation per student for instruction ($1,246) as well as the average percentage increase in 1984 (12 percent) for the CSCs was higher than six of the seven non-CSCs. Additionally, the average appropriation per student for support services for the CSCs was higher than any of the non-CSCs.

Table 4 displays comparative tax data including the AV of the CSCs and the non-CSCs.

(INSERT TABLE 4)

For the CSCs the average AV per student increased 2 percent while the average total school tax rated decreased 0.3 percent.* For six of the seven non-CSCs the AV per

TABLE 3

COMPARATIVE EXPENDITURES

Dist.	Appropriation per pupil instruction	% change	Appropriation per pupil support services	% change
A	1,436	8.3	845	13.3
B	1,398	22.5	602	-21.6
C	1,084	15.4	862	6.6
D	1,009	11.1	668	-6.5
E	1,338	9.6	880	4.3
F	1,212	8.6	1,084	3.5
G	1,240	8.2	1,155	8.5
Mean	1,246	12.0	871	1.2
AA	1,187	10.4	768	4.8
BB	1,139	8.8	836	6.1
CC	1,130	8.9	809	4.8
DD	1,373	3.6	838	10.8
EE	1,139	-0.6	791	4.5
FF	1,061	14.3	595	1.2
GG	1,179	5.9	785	11.8

TABLE 4

COMPARATIVE DATA

Dist.	% rise in AV	AV per pupil	% increase per pupil	Total tax rate	% increase	% state aid
A	4.67	40,681	6.5	3.37	2.4	59.3
B	5.65	33,511	3.9	4.57	-4.4	66.7
C	-3.49	21,624	-0.9	5.89	4.9	68.8
D	0.87	21,549	-2.8	3.78	-3.3	74.5
E	-0.78	20,541	1.1	4.59	0.6	69.6
F	-1.71	7,505	1.3	8.93	-0.3	73.4
G	0.79	6,215	4.9	8.08	-2.0	72.8
Mean	0.86	21,660	2.01	5.56	-0.3	69.3
AA	5.77	22,507	7.3	5.13	11.8	68.5
BB	1.29	22,120	1.5	3.73	-0.15	68.4
CC	1.01	21,928	-0.3	4.10	6.3	63.5
DD	1.10	21,624	2.1	4.13	3.2	65.9
EE	5.7	21,398	4.7	3.93	5.6	66.9
FF	2.38	20,439	1.1	3.87	-0.9	71.9
GG	-0.27	20,372	2.8	3.35	5.3	72.5

student increased and the total school tax rate increased in five of the seven.

From this examination, several conclusions may be made regarding the impact of control status on the function of a school corporation. In terms of the items examined, for school corporations with less than 5,000 ADM, it appears the CSCs compare quite favorably in being able to sustain educational offerings in relationship to the matched comparative group. In fact, one can suggest that in terms of the data examined, many of the CSCs are fiscally enhanced in relationship to their counterparts.

For the CSCs, more money on the average is appropriated for each student with respect to instructional and support services as compared to the non-CSCs. The CSCs average percentage for instruction per student increased by 12 percent. It is noteworthy that only one of the non-CSCs was higher. This is perhaps partially explained by an enrollment declined (1.08 percent) while teacher employment increased (3.13 percent).

As noted, the CSCs increased teacher employment while student enrollment decreased. Interestingly, the average student teacher ratio for the CSCs was lower than four of

the seven non-CSCs. On the average, teachers in the CSCs received larger salary increases than any of the seven in the comparative group. Additionally, the average CSCs superintendent's salary was higher than five of the seven non-CSCs.

Taxpayers in the CSCs experienced an average AV raise of approximately 1 percent while the total school tax rate decreased by 0.3 percent. Taxpayers in the non-CSCs were not so fortunate. The AV increased in six of the seven non-CSCs and the total school tax rate increased in five of the seven non-CSCs (ranging from 3.2 percent to 11.8 percent).

Based on these data, in 1985 CSCs with an ADM of less than 5,000 compared very favorably with their statistically matched comparative group. As compared to their counterparts, the controlled status has permitted several school corporations to maintain, if not increase, educational standards as measured by fiscal expenditures.

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1. For an overview of school district indebtedness see, R. Craig Wood, "Chapter Nine of the Federal Bankruptcy Act: A Fiscal Alternative for School Districts," *Journal of Education Finance*, v. 11 no. 1, Summer, 1985, 56-68.

2. *Ind. Code*, 21-2-14-3 outlines the definitions of what constitutes deficit spending by a school corporation.

3. *Ind. Code*, 1-19-4. For an introduction to the specific points of controlled status see: Dennis Costerison, "An Analysis of Controlled Schools," and "The Role of the Control Board: School Districts and Budget Appeals," *Indiana School Boards Association Journal*, v. 27, no. 2, March/April, 1981, 17-18 and 14-16.

4. It should be noted that the average AV per student was reduced considerably in that the AV per student for corporations F and G were the lowest in Indiana.